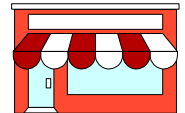
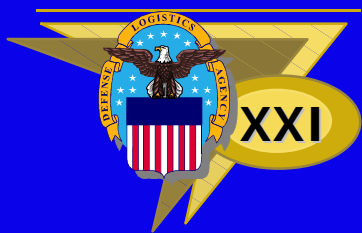


This Will Require

- Reductions in stocks - wholesale and retail and associated infrastructure
- Increased use of commercial supply systems - less duplication
- Improved data processes (ordering, payment, etc...)
- Reliable performance and better ways to measure performance
 - Consistently high quality parts
 - Time definite delivery
 - Value added services
- Partnership between customers, logistics providers and industry
- Overall agility to evolve with best commercial practices / markets
 - Tailored logistics support





Tailored Logistics Support

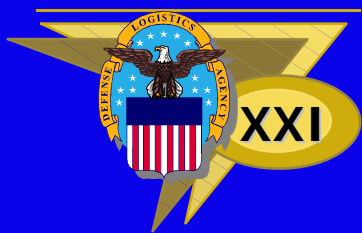
DoD Logistics System

100% Synthetic

One Size

Fits All

Dry Clean Only



What DLA Is Doing

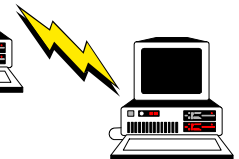
- Performing extensive research of existing and evolving commercial markets

- Adopting best commercial practices



- Entering into long term business arrangements

- Maximizing use of electronic commerce



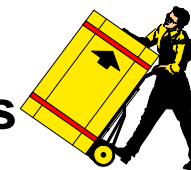
- Using performance based contract services



- Leveraging buying power

- Evaluating impact on readiness, surge and sustainment for all proposed solutions

- Emphasizing anticipatory services



- Measuring performance by individual customer

- Integrating supply chains



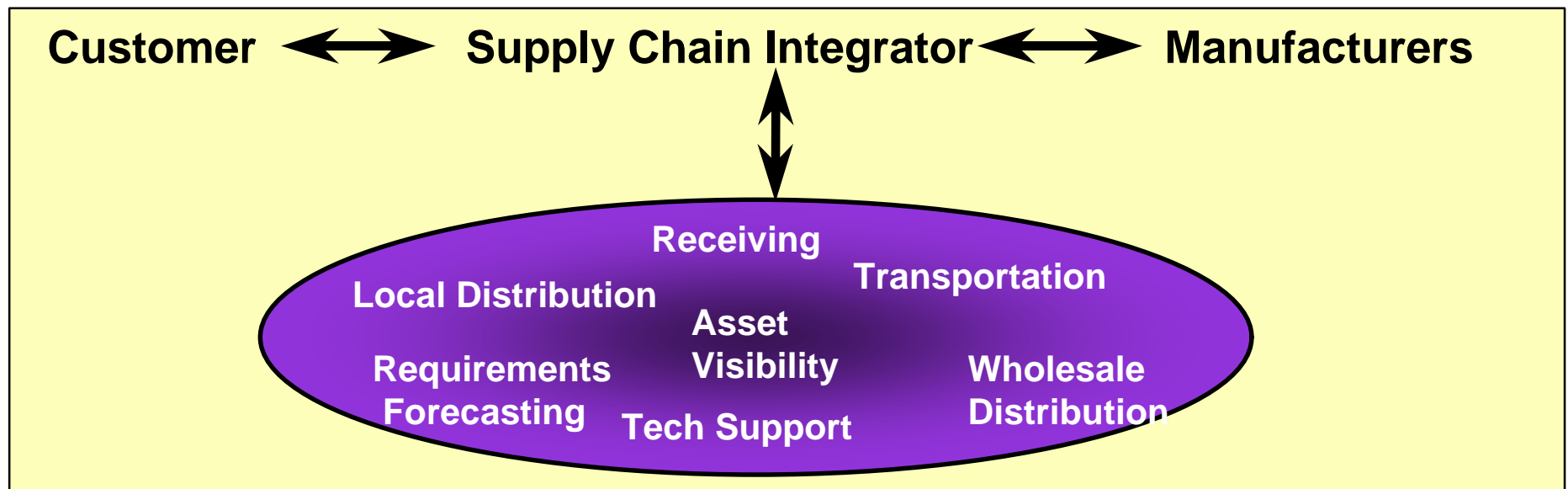


Role of the Supply Chain Integrator

“Virtual” Vertical Integration

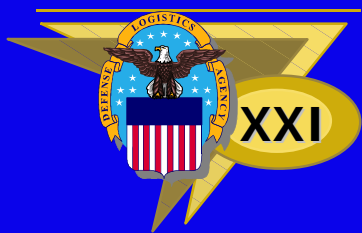
manage process participants rather than owning them

information based vs asset based



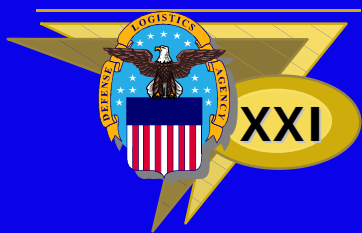
Goals:

- **Reduce transaction time and costs**
- **Synergy - provide efficiencies & services not available from individual process participants**

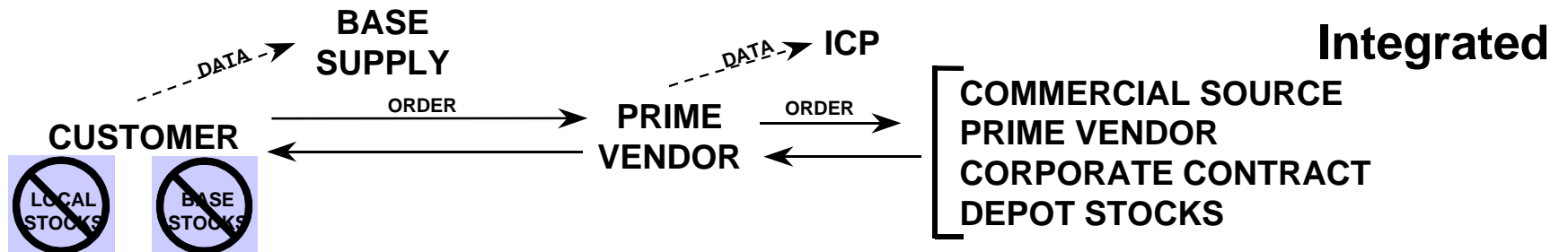
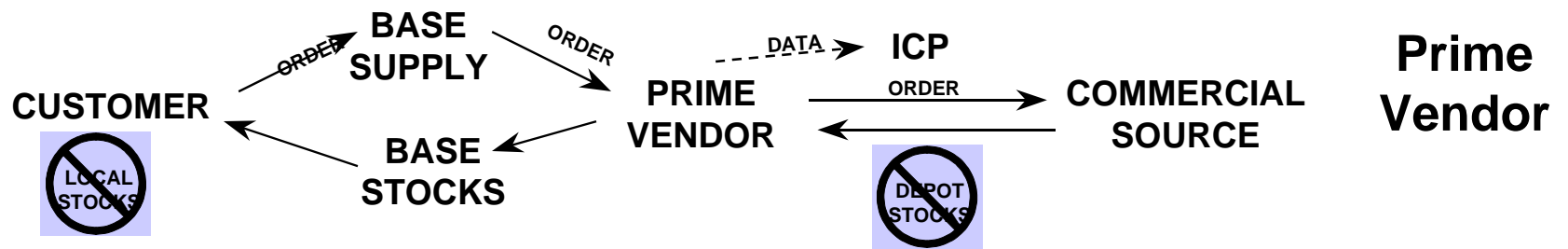
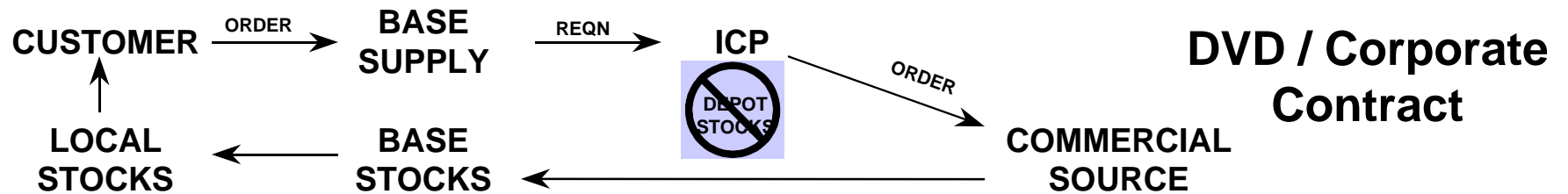
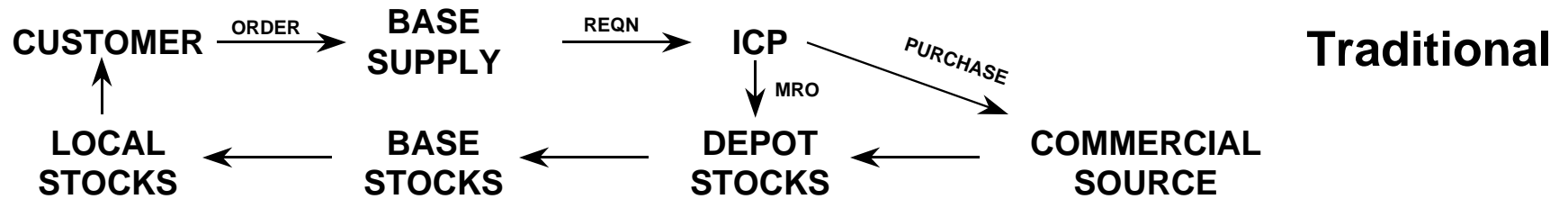


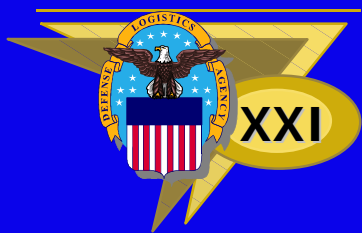
Supply Chain Integration Opportunities





Supply Chain Evolution

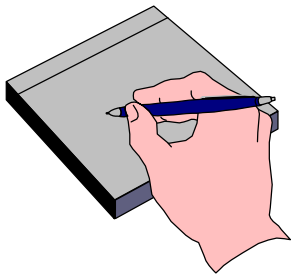




Applied Innovations

Manufacturing

Generalized Emulation of Microcircuits (GEM) - Replaces obsolete electronics
On Demand Manufacturing (ODM) - buying flexible manufacturing capacity

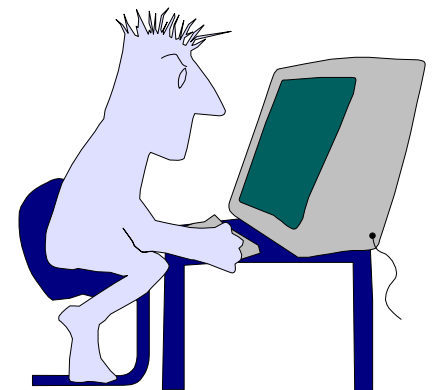


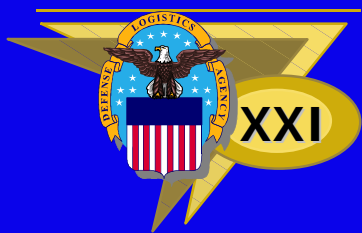
Contracting

Corporate contracts - leveraged buying power
Shared production agreements - surge capacity
from commercial sources on Day 1
Credit card payment

Electronic Shopping

Electronic Catalog (ECAT)
Electronic Commerce Mall (EMALL)
PARTNET





Applied Innovations (Cont'd)

Prime Vendor

Pharmaceuticals
Med/Surge Supplies
Subsistence
MRO

Supply Chain Integration

Virtual Prime Vendor

C-130 Hub & Blades
Bench Stock
Avionics
Aircraft depot maintenance at NADEP JAX
Airframe PDM at WR-ALC

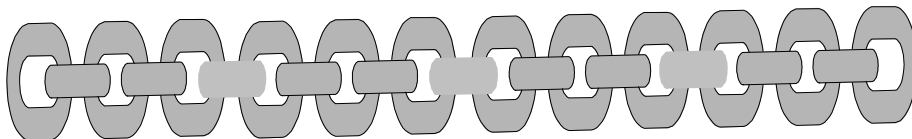
Intelligent Partnerships

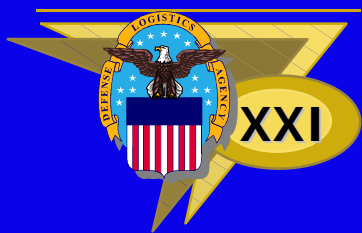
- DLA will act as the preferred
supplier for consumables for :

C-17

M109 FOV

Apache Helicopter





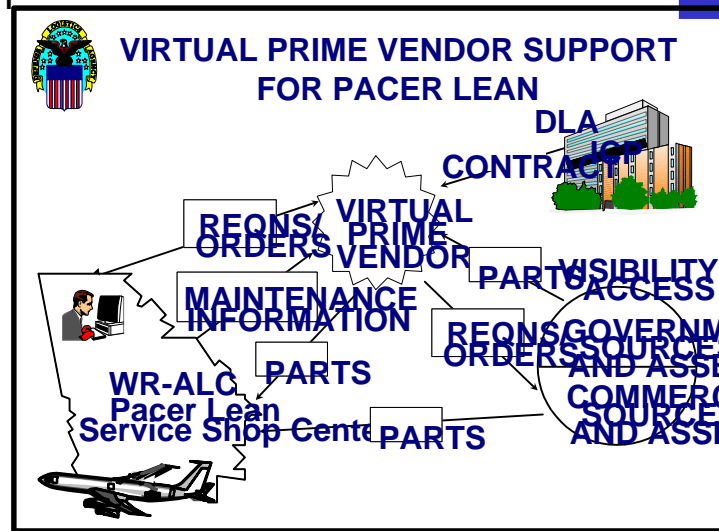
Virtual Prime Vendor

Where we are

- Issued Broad Agency Announcement / Apr 96
- Award of C-130 Hub and Blade VPV contract 10 Oct 96 to Hamilton Standard (partnership with Derco)
 - Implementation Jan 97
 - Year one of Long Term Contract - \$22 million
- Other BAA proposals under evaluation

Where we are going

- VPV expansion to other Air Force Maintenance Shops
- VPV expansion to other MIL Service systems and maintenance facilities



C-130 Hubs and Blades

- 1600 plus NSNs
- VPV world wide distribution
- VPV forecasting, warehousing, distribution, expedited delivery, materiel and inventory management

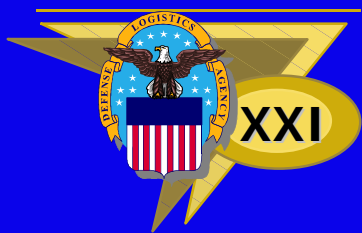
Contract Features:

- 100% availability - stocked items
- Incentives for supply performance & price reductions in out years

Coming Attractions:

Program Manager DSC - Richmond

- Aircraft PDM at WR-ALC
- Aircraft Depot Maintenance at NADEP JAX
- Intelligent partnership arrangements for consumable parts support under MILSVC privatization efforts for C-17, M-109 Family of vehicles, Apache Helicopter



Virtual Prime Vendor C-130 Propeller System

Performance Metrics

METRIC	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	6 mos - 85% 100% - 30 days	18 mos - 95% 100% - 10 days			
On Demand Issue Rate	90%; 100% w/i 20 Days	100%	100%	100%	100%
Retail Inventory Level	30 Days	30 Days	25 Days	20 Days	15 Days
Returns Rate	5%	5%	Reduce by 25%	Reduce by 25%	Reduce by 25%
Price Reductions	Share 50% ea	Share 50% ea	Share 50% ea	Share 50% ea	Share 50% ea

DLA Stock Availability Rate is 85%;
Logistics Response Time is 18 Days





Virtual Prime Vendor Benefits

- **DLA Benefits:**

- Reduced wholesale inventory
- Reduced cost of doing business
 - One long-term contract vice many small contracts
 - Reduced Supply & distribution costs
- Increased sales through capture of local purchases
- Improved forecasting

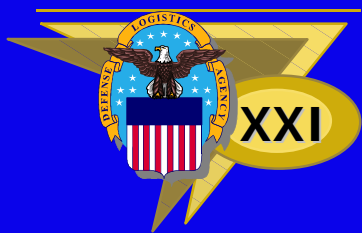
- **Vendor Benefits:**

- Long-term business assured
- Can plan long-term schedules, make long-term subcontracts, and make long-term investments

Savings based on total
cost to customer, not
just product price

- **Customer Benefits:**

- Radical improvement in readiness capability
- Direct visibility and access to commercial assets
- Faster delivery (on-demand/24 hours)
- Reduced retail inventory
- Reduced handling/packaging costs (no 1 each mil pack)
- Reduced total delivered costs
- Reduced customer downtime for items awaiting out-of-stock parts
- Re-deployment of warfighter resources
- Value added services such as no hassle warranty on returns, technical support, and anticipatory services
- Improved forecasting



Maintenance Repair Operation Prime Vendor

Where we have been

- BRAC Item transfers to DISC - Lumber, plumbing, HVAC
- USMC requested prime vendor for facilities maintenance supplies
- Market research revealed emerging integrated supplier segment

Where we are going

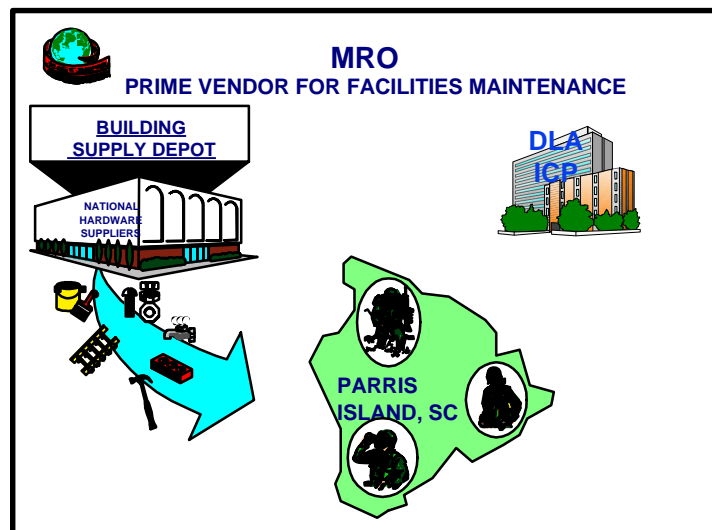
- Worldwide roll-out by geographic region
- Roll-out to additional sites w/i region
- Strong Support from OSD - Mgmt Reform Memo #12 dtd 6/17/97

Market Research/ Benchmarking

- Home Depot
- Lowes
- General Motors
- Xerox
- Saturn
- Disney

Results - high probability of dramatic improvement in customer satisfaction.

- Cost savings unknown
- Emerging nature of integrated supplier segment increases program risk



Sites

DISC / DPSC

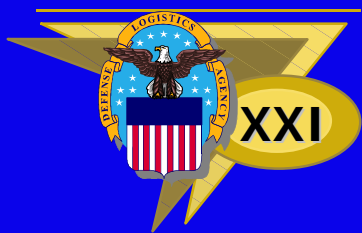
- Initial pilot in Southeast U.S.. starting with Parris Island, Beaufort MCAS, Beaufort Naval Hospital, Camp Lejeune, Ft. Jackson
- Roll-out to other geographical regions

Statistics

- Est 75% buy-around (current local purchase)
- \$1 billion potential sales nationwide

Schedule

- Southeast award: 12/96
- Hawaii - 12/97
- So CA & Northeast - 1/98
- Remaining CONUS-3/98
- OCONUS by 8/98



Bench Stock Virtual Prime Vendor

Where we have been

- Fasteners - large volume, low \$ value, wide range of customer needs requires new approach
- Partner with major fastener customers, starting with ALCs
- Bench stock operations identified as most promising area: archaic system, multiple stock levels, no item accountability
- Tap into Supply Chain Management sector providing supplies to commercial airlines

Market Research/ Benchmarking

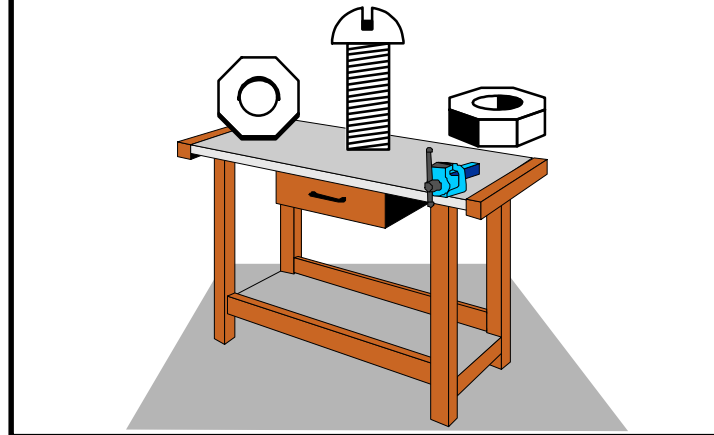
- Aviall
- Bell
- Delta Airlines
- Mac Air
- Boeing

Result - Good match between customer needs & commercial capability. High expectation of improved support and cost reduction.

Where we are going

- Selected Depot Maintenance Sites for Aircraft, marine and land vehicle systems.
- Operational bases

Point of Use Sale



DISC

Statistics

OC-ALC

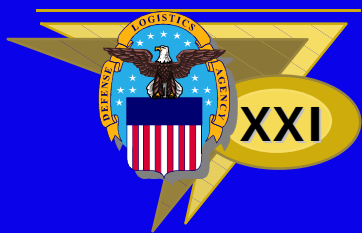
- Estimated Annual demands -106,000
- Number of NSNs -15,200
- Annual value \$22 million

Schedule

- Revised BAA issued 8/97
- Target award dates:
NADEP - NI: Jan 98
ALCs: Mar 98

Sites

- Initial test sites: Oklahoma City-ALC, Warner Robbins ALC, Ogden ALC, NADEP North Island



Avionics / Electronics Virtual Prime Vendor

Where we have been

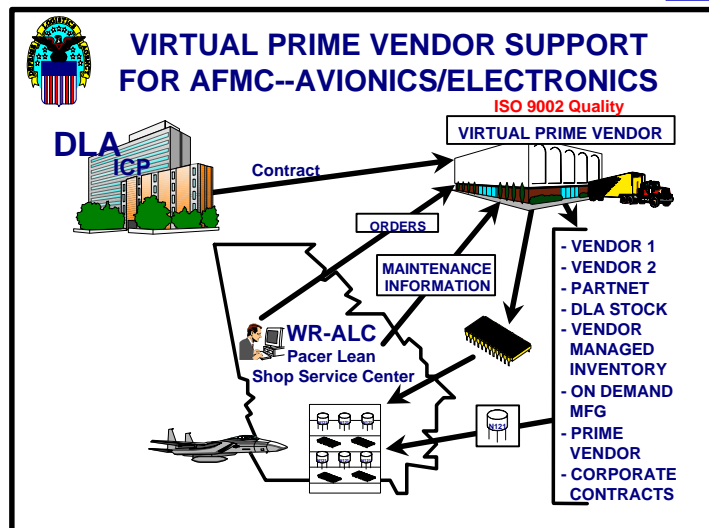
- Discussed concept with WR-ALC, NSWC, Crane, NAWC, FISC Norfolk seeking pilot sites
 - AFMC/WR-ALC agreed to be pilot site (Pacer Lean)
- Market research visits to major electronics parts distributors

Where we are going

Upon successful pilot demonstration, roll-out to all interested major customers

Market Research:

- Top 25 Electronic Parts Distributors
- Visited:
 - Zeus Electronics/Arrow Electronics #1
 - Hamilton Hallmark/AVNET #2
 - Newark Electronics (Premier/Farnell) #3
 - Bell Industries #9
 - Sager Electronics #21
 - Distributor buys/stores/manages all parts for OEM at OEM's factory and supplies parts JIT
- Result: Good match between customer needs and commercial capability. High expectation of improved support and total delivered cost reduction.



Sites

DSC - Columbus

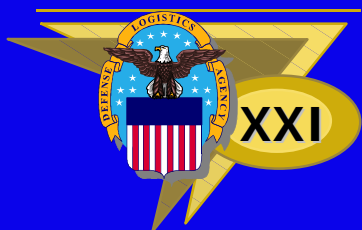
- Pilot site -- Warner Robins ALC
- Possible roll-out sites:
 - Other ALCs
 - Tobyhanna Army Depot
 - NADEP, Jacksonville, FL
 - NAWC/Hughes, Indianapolis
 - Letterkenny Army Depot

WR-ALC Pilot Site Schedule

- DSCC CBD Announcement - 30 Sep 96
- Industry conference at WR-ALC - 17 Oct 96
- Amended BAA issued 3 Jan 97
- Concepts papers submitted 28 Feb 97
- Oral Presentations - 30 Jun 97
- Target Contract Award(s) date - Feb 98

Sales:

Estimated \$10 million per year sales to WR-ALC Avionics / EW shops



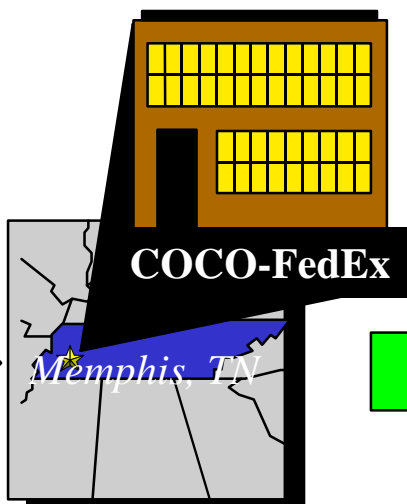
DLA Premium Service

24 - Hour Delivery -- CONUS Destinations

48 - Hour Delivery -- Most OCONUS Destinations



FAX
TELEPHONE
EDI



SHIPS

**CUSTOMER CONFIDENCE,
REDUCED INVENTORY,
IMPROVED READINESS**



What Premium Service Costs:

DEPOT RECEIPTS

\$19.56

STORAGE

\$1.29/Cubic Ft

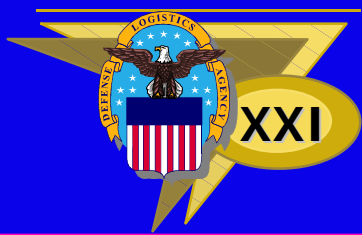
ISSUE

\$10.61

TRANSPORTATION

+ Actual Transportation*

*** GSA Contract Rates**



Logistics Information Network (LINK)

- LINK provides asset and intransit visibility
- Before requisitioning use LINK to:
 - Get information about the item
 - See if surplus stock is available
 - Check wholesale stock availability
- After requisitioning, use LINK to track status
- Provides access to logistics information from thirteen systems including the services, DLA and GSA
- Point of Contact: J. Bulko/VPO/DSN 932-4804

